

December 8, 2009
Mumbai

CRISIL Research assigns IPO grade 3/5 to Vascon Engineers Ltd.

CRISIL has assigned CRISIL IPO Grade "3/5" (pronounced "three on five") to the proposed initial public offer of Vascon Engineers Ltd. (VEL). This grade indicates that the fundamentals of the issue are average relative to other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy / sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The grading reflects VEL's track record as a building construction specialist with an ability to deliver quality construction on time. The grading also reflects the company's diversified business portfolio, which has helped VEL protect its revenues from downturns in the real estate sector. The company's EPC business registered a growth of 48.22 per cent in 2008-09, while its real estate development business witnessed de-growth of 89 per cent. As a result, VEL's total income declined by 15 per cent. The grading also considers the company's strong order book position and stable client profiles in the EPC business. Most of VEL's clients in the EPC business operate in the hospitality and educational sectors, which are relatively less affected during the real estate downturns. Margins in the EPC business were at 15 per cent in 2008-09.

However, the company's real estate development business is primarily concentrated in Maharashtra, especially in-and-around Pune, exposing it to high levels of geographic and price risks. Moreover, Pune has been witnessing oversupply of residential and commercial space, and this scenario is forecast to continue over the next few years. This is likely to impact Vascon's real estate development plans.

The IPO proceeds are expected to be utilised for funding the company's EPC contracts and real estate development projects and for repaying debt.

About the company and the issue

VEL is a Pune-based player, engaged in real estate construction and development. The company was incorporated in January 1986, and commenced operations with the construction of Cipla's Patalganga factory in November 1986. Up to 1998, the company was a real estate contractor - executing contracts for third parties. VEL's real estate business comprises construction of residential and office complexes, along with IT parks, industrial units, shopping malls, multiplexes, educational institutions and hotels. As of August 2009, the company had completed construction contracts worth Rs 8.8 Bn, out of which Rs 6.4 Bn was for third parties. In 2008-09, the construction business contributed around 93 per cent to the company's total revenues.

In 1998, the company ventured into real estate development. As a developer, VEL follows a joint development strategy, wherein the land owner brings in the land, while VEL provides the construction expertise. As of August, 2009, VEL had completed 41 development projects, with an aggregate saleable area of 4.58 mn sq. ft. In 2008-09, the development business contributed nearly 6 per cent to the total revenues of the company.

In addition to real estate construction and development, VEL has two wholly-owned budget hotels in Goa and a three-star service apartment in Pune. While the two budget hotels became operational in January 1999 and January 2005, the three-star service apartment commenced operations in June 2007. This segment contributed 1 per cent to the company's overall revenues in 2008-09.

As of August 2009, VEL had an order backlog of Rs 7.2 Bn for third parties in its construction business. As a developer, the company has ongoing and planned projects aggregating to over 44.85 mn. sq. ft. of saleable area; of this, 48 per cent is residential and the rest commercial. Most of VEL's ongoing and planned projects are joint developments in which it has an average 60 per cent share.

In 2008-09, the company reported net profit of Rs 249 Mn on a turnover of Rs 5,093 Mn, translating into a net margin of 4.9 per cent. It posted an EPS of Rs 3.3 during the same period, while its book value per share stood at Rs 55.2. VEL's return on capital employed (ROCE) and return on equity (ROE) for the year stood at 12.1 per cent and 6.9 per cent, respectively.

About CRISIL IPO Grading

CRISIL IPO (Initial Public Offering) Grading is an opinion on the fundamentals of the graded issue that reflects CRISIL's independence and expertise. This opinion is expressed as a relative assessment in relation to other listed equity securities in India. The assessment is based on a grading exercise carried out by industry specialists from CRISIL Research. A CRISIL IPO Grade 5/5 indicates strong fundamentals and a CRISIL IPO Grade 1/5 indicates poor fundamentals. CRISIL IPO Grading reflects its assessment of the graded company's equity fundamentals as distinct from an assessment of debt fundamentals. A CRISIL IPO Grade should not be construed to mean a comment on the price of the graded security nor is it a recommendation to invest or not to invest in the graded security.

Media Contact	Analytical Contact
Mitu Samar Head, Market Development & Communications CRISIL Limited Tel: +91-22- 6644 1838 Mobile: +91- 98200 61934 Fax: +91-22- 6644 1810/ 1830 E-mail: msamar@crisil.com	Chetan Majithia Head, CRISIL Equities Tel: +91-22- 6644 4148 E-mail: chetanmajithia@crisil.com

About CRISIL Limited

CRISIL is India's leading Ratings, Research, Risk and Policy Advisory Company.

About CRISIL Research

CRISIL Research is India's largest independent, integrated research house. We leverage our unique, integrated research platform and capabilities spanning the entire economy-industry company spectrum to deliver superior perspectives and insights to over 600 domestic and global clients, through a range of subscription products and customised solutions.

CRISIL PRIVACY NOTICE

Contacting us via e-mail or registering with CRISIL reveals your e-mail address and any other information you include such as phone number and/or mailing address. We will use this information to help us process your registration, fulfill your request or respond to your inquiry. All of your personal information will be stored in a secure database in India. Access to this database is limited to authorized persons.

Occasionally, we use data collected about customers and prospects to inform them about products or services from CRISIL, and our parent company Standard & Poor's (a subsidiary of The McGraw-Hill Companies), and reputable outside companies that may be of interest to them. Many of our customers find these e-mail promotions valuable, whether they are shopping for merchandise, taking advantage of a special offer, or purchasing unique services. On rare occasions, and subject to applicable laws, CRISIL may also share your information with outside "3rd Party" vendors who will be authorized to use this information solely to perform services (such as a "mailing" house) on our behalf.

If at any time you would like your name removed from lists that are shared for promotional reasons within CRISIL, Standard & Poor's, and with other units of The McGraw-Hill Companies, or with third parties simply send a written request to privacy@crisil.com or Privacy Official, 9.61, Solitaire Corporate Park, Andheri-Ghatkopar Link Road, Andheri (East), Mumbai - 400 093, India.

You can also send an email request to privacy@crisil.com if you would like to confirm the accuracy of the information we have collected from you, or if you have questions about the uses of this information.

For more information about The McGraw-Hill Companies Privacy Policy, please visit www.mcgrawhill.com/privacy.html

Last updated: 30 June, 2009

Disclaimer

A CRISIL IPO Grading is a one-time assessment and reflects CRISIL's current opinion on the fundamentals of the graded equity issue in relation to other listed equity securities in India. A CRISIL IPO Grading is neither an audit of the issuer by CRISIL nor is it a credit rating. Every CRISIL IPO Grading is based on the information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the grading is based. A CRISIL IPO Grading is not a recommendation to buy / sell or hold the graded instrument; it does not comment on the issue price, future market price or suitability for a particular investor.

CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of CRISIL IPO Gradings. For information on any IPO grading assigned by CRISIL, please contact 'Client Servicing' at +91-22-66913561, or via e-mail: clientservicing@crsil.com.

For more information on CRISIL IPO Gradings, please visit <http://www.crsil.com/ipo-gradings>

This press release is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The Press release may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including websites, portals etc.